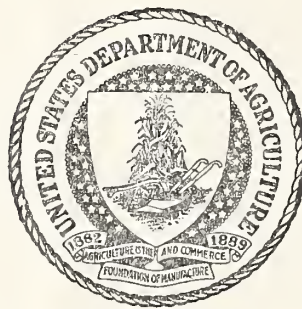


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FOREIGN

JANUARY
1956

AGRICULTURE



World Farmers Set New Records

U. S. Cotton "Ambassadors" to Europe

The High Dam at Aswan

UNITED STATES DEPARTMENT OF AGRICULTURE • FOR

FOREIGN AGRICULTURE

VOL. XX . . NO. 1 . . JANUARY 1956

*To report and interpret world
agricultural developments*

The "New" Foreign Agriculture

For many years this magazine, *Foreign Agriculture*, has been a journal of general interest. We have reported on a wide variety of subjects in the vast field of world agriculture. We are pleased that our efforts appear to have been of service, as shown by the substantial number of regular readers.

Times change, however, and so does reader interest. Periodicals must keep in step.

As our readers so well know, the new challenge to world agriculture is not so much the production of farm products as their distribution. The world has learned how to produce, even to the point of surpluses. But far less successful is it in solving the problems of distribution.

Beginning with this issue, therefore, the keynote of *Foreign Agriculture* will be "foreign trade."

We shall continue our reporting of general developments in world agriculture. But most importantly we shall report on the world's progress in distributing its food and fiber to its consumers, and give the "news behind the news" of world agricultural trade. In so doing, we shall keep in mind the great stake of American agriculture in world trade, and shall frankly view and interpret situations accordingly.

And that in offering our
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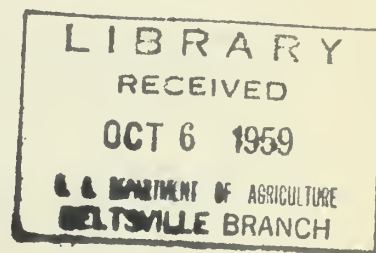
Foreign Agricultural Service

Foreign Agriculture

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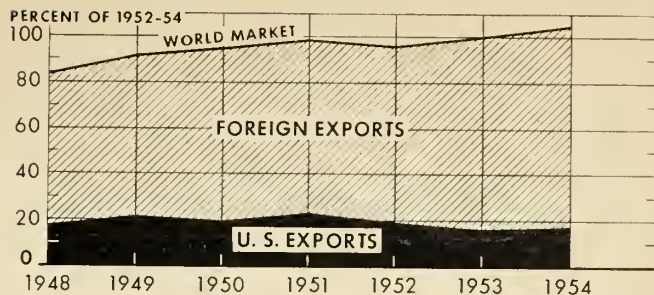
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U.S. Farm Exports Hold Improved Level



but

U.S. Not Sharing in Growth of World Market

by GWYNN GARNETT

Administrator,
FAS



It is expected that United States agricultural exports during this fiscal year period of July 1955 through June 1956 will hold the improved level reached in 1954-55.

As the accompanying table indicates, this will mean the retaining of the export gains made during the past 2 years, and maintaining our exports at about the levels of the immediate postwar period and the prosperous period of 1925-29.

On a commodity basis, the export picture appears to be taking shape as follows:

WHEAT. Foreign supplies of wheat have increased, which means greater competition. Nevertheless, if we make full use of existing export programs, we should be able to export about 275 million bushels of wheat and flour this season, about the same as in 1954-55. Government programs last year helped move about half of our wheat exports. Competitive pricing, and very hard pushing through these programs, will be needed to maintain wheat exports.

RICE. During the 3 years preceding 1954-55, rice exports averaged about 16.6 million bags, milled basis. Last year our rice exports dropped to 10 million bags, milled basis. This year we expect some improvement.

Article is adaptation of Mr. Garnett's statement at 33d Annual Outlook Conference.

U.S. prices are more competitive and foreign exportable supplies are smaller.

COARSE GRAINS. Prospects for exports of coarse grains are relatively good and increases are expected. Last year we exported about 5 million short tons of coarse grains; this year it should be possible to reach about 8 million tons. Foreign livestock numbers are expanding. Europe's wheat crop is better quality this year and less of it will be fed. This should cause Europe to import more of such coarse grains as corn, grain sorghums, barley, and oats. Large U.S. supplies are available at competitive prices, while Argentina, on the other hand, has had a poor corn crop. U.S. coarse grains will move largely through dollar, rather than foreign currency, sales.

COTTON. Cotton is faced with greater export problems than any other commodity. Its export prospects, both for the present and for the future, are not good. We estimate that exports of cotton during the current marketing year, despite large commitments under Government export programs, will not exceed 2½ million bales. This would be a drop of 1 million bales from last year. The reasons are (1) foreign cotton production continues to rise, (2) foreign cotton consistently undersells us, (3) world production of competitive man-made fibers is big and is becoming bigger, (4) dollar cotton sometimes is discriminated against in world trade. Our cotton carryover at the end of

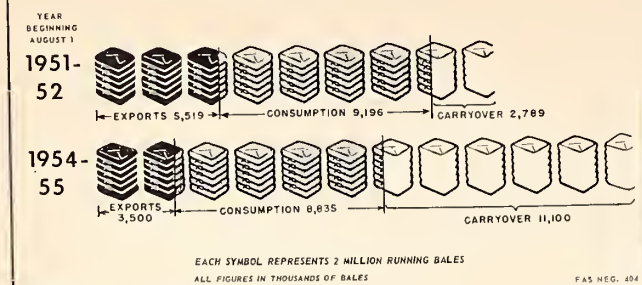
the current marketing year probably will be the largest in history. The national cotton acreage allotment proclaimed in October, if approved by producers, would result in the lowest harvested acreage of this crop since 1879. If trends in world cotton production and prices continue, U.S. cotton will be further squeezed out of the world market.

TOBACCO. The tobacco export outlook is substantially improved. We look for 1955-56 tobacco exports to exceed 500 million pounds, or about 15 percent above last year and largest since the early postwar period. Favorable factors include (1) much larger movement for foreign currency under Public Law 480, (2) relatively low stocks in some purchasing countries, (3) improved gold and dollar reserves abroad, along with higher level economic activity, (4) greater consumption of cigarettes containing U.S. tobacco, (5) a record U.S. 1955 flue-cured crop. On the negative side, however, we

U.S. AGRICULTURAL EXPORTS in the current year are expected to hold the improved level of 1954-55. As the table shows, exports last year were close to the levels attained after World War II and in the prosperous 1925-29 period.

Fiscal year (July 1-June 30)	Quantity index (1952-54=100) Percent	Value at 1952-54 prices Million dollars
1954-55.....	103	3,370
1953-54.....	93	3,040
1952-53.....	87	2,840
1951-52.....	120	3,920
1946-47 to 1950-51.....	105	3,420
1939-40 to 1945-46.....	64	2,080
1934-35 to 1938-39.....	61	1,980
1929-30 to 1933-34.....	85	2,790
1924-25 to 1928-29.....	109	3,550

U. S. COTTON EXPORTS DROP AND STOCKS RISE



also have the two factors of increasing foreign production and discrimination against imports of U.S. tobacco.

FATS AND OILS. Exports of fats and oils should continue at a high level. Last year the United States exported about 4.2 billion pounds of fats, oils, and oil equivalent of oilseeds. This was 700 million pounds above the previous high of the preceding year, and was reflected in a sharp cut in stocks of cottonseed oil and linseed oil. Record exports were made of edible vegetable oils, soybeans, tallow, greases, and butter. Lard exports were above the previous year. These levels of exports can be expected to continue. The soybean outlook also is favorable. Exports this year probably will reach 65 million bushels, exceeding the record level of 60 million bushels last year. Soybean prices are about 20 percent lower than last year, making them competitive with Manchurian beans. Lard exports are expected to exceed 650 million pounds.

ANIMAL PRODUCTS. The United States has a potentially expanding market not only in lard and tallow but also in variety meats (offals) and in dairy and poultry products. Except for better cuts of meat and quality eggs and poultry, U.S. prices for these products generally are competitive. In all countries, however, producers of animal products are sensitive to foreign competition, and foreign government protection can be expected to be an important limiting factor in our export volume.

FRUITS. Total fruit exports this season are likely to exceed those of

last season, largely as a result of favorable demand in Western Europe. Apples will benefit from reduced European production, while pear exports may be no larger than last year. Winter orange exports are likely to be below last year because of large Mediterranean production, but prospects for summer orange exports are favorable. Lemon exports, high last season, are likely to remain so, with little change in grapefruit. All processed citrus products are expected to continue their upward trend. Canned deciduous fruit exports are likely to be somewhat above last year due to increased sales under local currency programs. Total dried fruit exports, principally raisins and prunes, are not expected to exceed last season because of somewhat higher prices in the United States, especially for prunes.

These export prospects have real meaning for farm people when translated into acres of crops and numbers of livestock.

During the better export years following World War II, American farmers had as many as 50 million acres devoted to production for export. Because of declining foreign markets, they now have something like 30 million acres producing for export.

The impact of world developments on American agriculture takes on additional meaning when we consider the proportion of some of our commodities that in recent years have found a foreign market. Last year the following proportions of our agricultural production went overseas: Wheat, 28 percent; cotton and rice, each 26 percent; grain sorghums, 24 percent; tobacco, 23 per-

cent; soybeans, 19 percent; lard, 20 percent; and inedible tallow and grease, 44 percent.

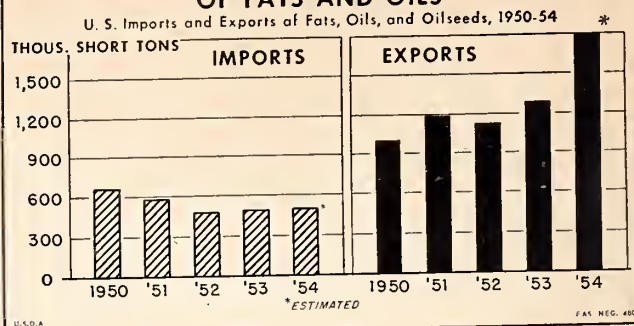
Another way to look at these export proportions is in terms of actual disappearance—in other words, eliminate the quantities of farm products that go into storage and consider only those that are marketed. On the basis of actual marketing, we find that exports accounted for even greater proportions: Wheat, 32 percent; cotton, 28 percent; tobacco, 30 percent; rice, 48 percent; and grain sorghums, 31 percent.

I returned recently from a trip in which I visited 14 countries of Europe, Africa, and Asia, and conferred with our agricultural attachés who cover 25 countries in those areas. I found clearly that agriculture, from the Mediterranean to the Pacific, is astir and in ferment. Important developments are taking place in agricultural production and consumption, in both the developed and underdeveloped nations. These developments are beginning to change trade patterns, and will increasingly affect U.S. farm exports in the years immediately ahead.

The most significant changes are in underdeveloped countries. The economies of these countries are mostly agricultural. Great efforts are being made toward economic development, with particular emphasis on agriculture. Increased production of wheat, rice, cotton, and tobacco is emphasized. These countries plan either to consume their increased production at home or export it to industrial countries to earn foreign exchange to further accelerate economic development.

(Continued on page 19)

U. S. HAS NOW BECOME A MAJOR EXPORTER OF FATS AND OILS



Produce buyers in Holland's horticultural auctions register their bids by pushing a button that stops the clock and concludes the sale. Simultaneously their seat number shows on the clock.

Holland's Marketing System



N. V. Van der Hoorn and Wouda Co., Utrecht

STOPS THE CLOCK

If you were to find yourself in Rotterdam—or any other good-sized town in the Netherlands—around 5 o'clock some morning you would witness a scene that has no counterpart anywhere else in the world. At that hour Holland's horticultural auctions are getting under way. The canals are filled with barges laden with fresh vegetables, fruit, and flowers. The streets are jammed with trucks, wagons, and pushcarts. And all of them are converging upon a large hangarlike building. But it's what goes on in that building that makes Holland's marketing system unique.

All Dutch horticultural growers sell their produce by auction—and by the clock. Not an ordinary clock either, but one that runs backwards, for the Dutch auction system reverses the usual procedure in that the asking price is always higher than the final bid.

Thus the first thing you would see upon entering a Dutch auction would be a tremendous clock on the wall above the auctioneer's head, the dial divided into 100 units. On the face are as many numbers as there are

seats in the hall. Facing the clock are seats raised in tiers like the dress circle of a theater; each seat is numbered and equipped with an electric pushbutton connected with the clock, and also an outside telephone. These seats are rented by exporters, wholesalers, and retailers, all of whom must lodge either cash or a banker's guarantee to cover their anticipated purchases before they are allowed in the hall.

When the auction is ready to start the first auctioneer announces the kind of produce and the grade; the second auctioneer announces whether the bidding will be in guilders or cents, and if for the lot or per piece. Sample lots of the produce then pass along under the clock on a conveyer—or on the barges themselves if the hall is adjacent to a canal. Some halls have large display rooms where buyers inspect the produce and jot down the lot numbers they are interested in, in which case samples are not usually brought into the hall, and the auction proceeds at a faster pace, frequently with as many as 10 sales per minute.

To start the bidding the pointer

on the clock is set a few points above the average price for the type of produce being sold. Then it starts moving backwards. When it reaches the price which the bidder is prepared to pay, he presses his electric pushbutton, the clock stops, and the number of his seat lights up on the dial, thus showing his identity to the auctioneer. By this system two or more bids can never clash since all other buttons are automatically disconnected by the first contact. The buyer's name is then recorded, together with the quantity of produce he bought, and after he has paid the cashier he may take possession of his purchase. However, if the buyer is uncertain of the price he wants to pay, all he has to do is pick up the telephone at his seat in order to keep himself informed of fluctuations on other markets.

How the auction system started can be traced back to a somewhat insignificant occurrence in 1887 when the horticultural industry in the Netherlands was at its lowest ebb. The story is told that one morning a grower arrived with his barge loaded

with cauliflower and cabbage at the quay of the inland harbor of Brock-Op-Langendijk, a center of cabbage production in northern Holland. Normally the quay would have been filled with growers since it served as the general produce market, but on this morning the farmer with his bargeload of vegetables was the only one to show up. Immediately he was surrounded by buyers and commission agents, all trying to buy his produce. A passing bargeman suggested that he sell the bargeload by auction—which he did with most gratifying results.

Naturally this little cabbage and cauliflower auction did not transform Dutch marketing methods overnight, but from this tiny beginning developed Holland's national system of auction markets. By 1900 there were several auction associations throughout the country, and during World War I when Dutch produce was in great demand, the auctions developed rapidly. Today almost the entire country is served by a network of auction markets, numbering some 175 and handling the entire national output of fruits, vegetables, flowers, and a portion of the bulbs, as well as those horticultural products that Holland imports.

These auctions vary in size and type. Some are classified by the produce they handle, i. e., vegetables, fruit, flower, or bulb auctions. Others specialize in the export trade, and as a rule are to be found in the highly concentrated horticultural areas. The so-called consumption markets are, as one would expect, in or near the large towns, while the import auctions are located at the overseas shipping ports. But those classifications are not absolute; nearly every auction has a mixed character, with one or sometimes two groups of produce predominating. Similarly, in practically all auctions, even in those designed for export traffic, some 20 percent of the buying will be for the retail trade.

Very few of the auctions are privately owned; most are owned by cooperative groups. Practically all, however, belong to the Central Bureau of Horticultural Auction Marts which sets up standards for

the industry and holds a benevolent umbrella over the head of the Dutch grower.

To anyone not familiar with the Dutch auction system two questions naturally arise: first, how are the auctions organized and financed; and second, what are their advantages that a grower will voluntarily give up the independent control of his produce—as indeed he must under this system—and submit to group discipline.

How Organized

The Dutch auction associations, as they are called, are organized much like any other cooperative in that they are controlled and financed by the members themselves. When a grower joins an auction he obligates himself to send all of his produce to that auction for a year, when he may change auctions if he wishes but again he must bind himself for another 12 months. His total acreage of vegetables, flowers, and glass is strictly limited although the acreage of his individual crops is not fixed. In return, the association inspects and grades his produce; rents him uniform, returnable containers at a nominal fee which he shares with the buyer—though this practice is gradually being supplanted by the use of cartons. The association supplies the auction facilities as well as the personnel to handle the produce and conduct the auction, and in the case of the larger auctions, provides storage rooms and packing sheds in the vicinity of the auction hall.

The financing of all this is relatively simple. A large part of the auction association's revenue comes from the rental of seats in the auction halls. The remainder comes from the growers themselves. To join an auction a grower pays a small membership fee. His main contribution, however, comes from the small percentage—2 to 3.5 percent—which is deducted from each sale. Growers are paid weekly, though generally the amount of each grower's sales minus this percentage for market service is transferred to his account in his cooperative bank. These banks, incidentally, were started in

1895 by the growers themselves, and have had considerable influence on the growth of the auction markets. In fact, when capital is required for buildings and other facilities it is usually raised from these banks, with the members of the auction assuming liability for their portion of the loan on the basis of their individual turnover.

In a general sense, the main advantage of the auction system for the Dutch grower is that it brought order out of the chaotic situation that had existed previously when the grower not only had to cultivate his holding but to pack and dispose of his produce as best he might. Actually, there were malpractices on both sides. Some dealers took advantage of their position to the detriment of the grower's interests, while growers often delivered produce far below standard, particularly when demand was good.

Today the individual grower is no longer working in the dark but is assured of receiving the price his product is worth at the time of the sale. This is especially important when dealing with perishable goods where the grower cannot wait for prices to stabilize before selling. As for the buyer, the advantage of quality control, exercised by the auction associations in checking and grading the goods to be sold, more than compensates him for any quick profits he might make on a non-organized market.

Minimum Price Insurance

Yet most important for the grower is the minimum price policy adopted by the Central Bureau in 1948. Briefly, here is how it works: Every grower pays a certain amount as a premium, which is deducted from his earnings on everything he sells through auction. This commodity levy, which varies from 1 to 5 percent depending upon the commodity and the season, goes into different commodity funds, which in turn are used to compensate growers for unsold produce. Each commodity fund is separate and individually financed in order to avoid one crop subsidizing another.

(Continued on page 20)

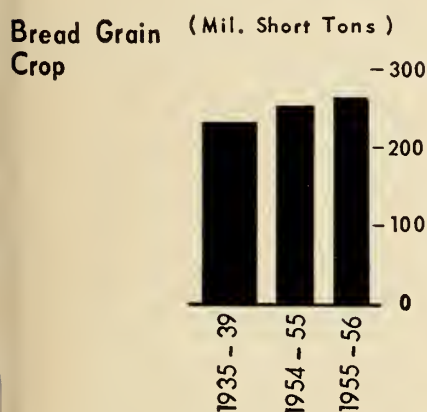
World's Farmers Set New Production Records

By CLARENCE M. PURVES
Foreign Agricultural Analysis Division, FAS

1956 will see keen competition for world agricultural markets. Production increases have been outpacing population growth in most of the world, and more food per person will be available this year than perhaps ever before.

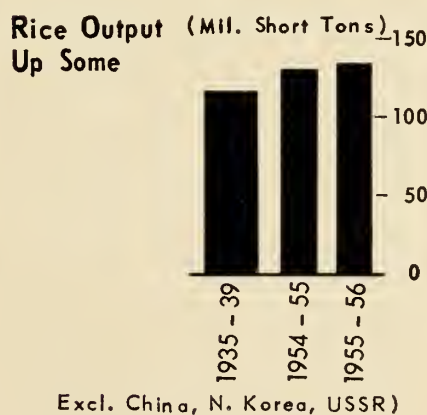
In 1955-56, world agricultural production is reaching new highs. Only a few commodities and a few isolated areas are falling short of last year's production.

Eastern Europe, the Soviet Union, and China reportedly had a relatively good year; nevertheless, production in that part of the world is still somewhat lower, per capita, than before the war. In the rest of the world, however, production is higher, since it has been increasing faster in recent years than has the population. Furthermore, large supplies of many agricultural staples are being carried over, which means that supplies of basic foods and fibers per person generally are the largest in many years—perhaps the largest on record.



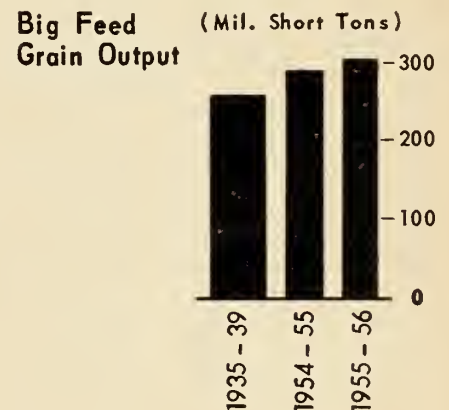
Early forecasts of the 1955 world bread grain crops—wheat and rye—indicate a total harvest nearly 5 percent above that of 1954 and about the same as the previous record crop of 1953. In Canada, conditions for wheat were much better than those of a year ago and production was about 65 percent higher. Crop conditions in the Eastern European

countries as a whole and in the Soviet Union were also more favorable for wheat this year, and crops are substantially larger than last year's. In fact total output of wheat there may be the largest since the war. Throughout the rest of Europe the wheat crop is about as large as that of a year ago but the quality is much better. France again will have substantial quantities for export, and Italy, with a crop considerably larger than in 1954, will require less imports. The main European countries reporting smaller crops are Portugal, Spain, the Scandinavian countries, the Netherlands, and the United Kingdom and Ireland. Asia's wheat crop is about as large as in the preceding year. And declines in prospect for Africa and South America are partly offset by prospective increases in Australia.



Early conditions for the 1955-56 world rice crop have been more favorable than for the preceding crop but the final outturn is not expected to be quite as large as the record one of 1953-54, largely because of floods during the early part of the growing season that reduced India's

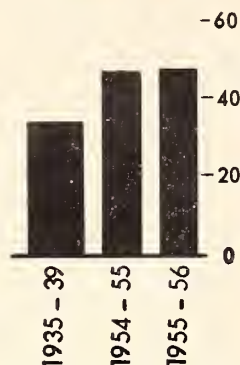
crop. Japan has reported a record rice crop, Thailand's production has recovered substantially over the small crop of last year, and several other Southeast Asia countries expect larger production. In the United States output was reduced about 15 percent because of the marked decline due to acreage allotments, but in Europe production continues at high levels despite burdensome surpluses that have accumulated in some countries. Latin America harvested a record crop of rice in early 1955 and increases in acreage and favorable crop conditions indicate a further increase in output in early 1956.



Supplies of feed grain will again be large, favoring a continued high level of production of livestock products in 1955-56. The combined world production of barley and oats will be the largest since the war, as sharp increases in North America offset apparent declines in other areas, especially an indicated reduction in the Soviet Union. Early indications are that the world corn crop in 1955 will be about 10 percent above last year's, and, if they are borne out for the Southern Hemi-

sphere, it will be the largest world corn crop ever harvested. Most of the increase however is in North America, Eastern Europe, and the Soviet Union.

Sugar Output (Mil. Short Tons) Also High



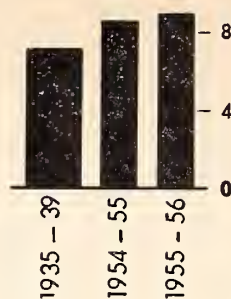
World production of sugar also continues at a high level despite the attempt of some surplus-producing countries to curtail production. Output of centrifugal sugar will be the largest on record but that of non-centrifugal sugar may be slightly less than in 1954-55. Cuba's production will probably again be held down. During the past year, however, Cuba has been able to reduce its stockpile, which may be an incentive to increase production during 1956. The Republic of the Philippines has also restricted production in the current season to keep its supply within export quotas but in other parts of Asia production has increased, so that total production in that area is the second largest on record. The crop in Western European countries is expected to be slightly smaller than in 1954-55 but that in Eastern Europe is the second highest in recent years and an increase of 20 percent is expected in the USSR. Early indications are that crops in South America will be about the same or only slightly larger than last season's crop.

More Fats and Oils

World production of both vegetable oil products and animal fats is gradually increasing but, with high levels of industrial activity in nearly all countries and this year's lower prices of fats and oils, consumption is also increasing.

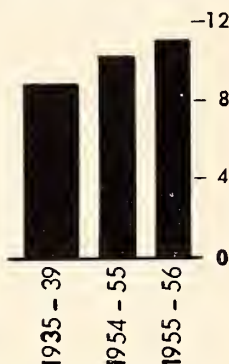
Vegetable Oil (Mil. Short Tons) Production

(Edible)



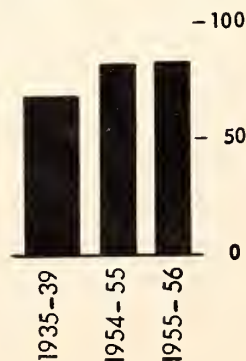
Record crops of cottonseed, soybeans, and peanuts are in prospect, but the olive oil crop may be substantially lower because of unfavorable conditions throughout the Mediterranean area, and the sunflower seed crop has been reduced by unfavorable conditions in Uruguay and Argentina.

Animal Fats (Mil. Short Tons) Production



Output of animal fats is expanding as increases in lard and tallow production are expected to more than offset a decline in the production of butter. In Europe butter production was reduced by a summer drought and the continued increase in the use of milk for fluid consumption.

Meat Production (Bil. Pounds)



The increase of livestock numbers in recent years has been reflected in expanding meat production, and during 1955 meat production was at record levels. Production is expected to continue at a high level during the early part of 1956 but supplies later in the year will depend upon the size of the spring pig crop in North America, the smaller supply of feed grains in Europe, and the uncertainty regarding marketings and prices in Argentina. Larger meat supplies from Australia, New Zealand, and Uruguay as well as supplies of some meat products from the United States are likely to be available for export, indicating a continued large volume of world trade in meats.

World production of cotton, wool, tobacco, and coffee in 1955 was at record level.

Other Products Set Records

Cotton production, estimated at 40.5 million bales, was 6 percent above the preceding year, with increases due partly to expanding acreage but mainly to generally favorable growing conditions in nearly all of the major producing areas. Both in the United States and in foreign countries, production was higher.

Tobacco production was about 2 percent above the preceding year, mainly because of the larger output of cigarette types, principally flue-cured and oriental. Most of the increase occurred in Asia, but Greece also had a record crop and production continued large in the United States and Rhodesia.

Wool production was at record highs in Australia, the USSR, and the Union of South Africa. Most other areas reported little change in production.

In the expansion of coffee production the outstanding feature this year is the sharp increase in Brazil, where crops have been considerably reduced in recent years by unfavorable weather.

(Continued on page 21)

THE HIGH DAM AT ASWAN



The proposed High Dam at Aswan, which has figured prominently in recent news of Egypt, represents that country's hope of broadening the thin green ribbon of Nile-watered land on which Egypt has had to raise its food for thousands of years.

The United States has offered to make available \$56 million to begin the dam, and Great Britain, \$14 million. The two governments hope to gain legislative approval for further funds at a later stage; a figure under discussion is \$130 million, for a total of \$200 million. The World Bank is expected to make available another \$200 million or so; the USSR, too, has offered assistance.

With the first funds to be contributed by the United States and Great Britain, Egypt will be able to construct three coffer dams to divert the Nile's flow while preparations for the big dam are begun. These dams will immediately increase the territory irrigated by the Nile waters.

The High Dam—so-called because it would be the world's tallest rock-fill structure—would create a reservoir area three times larger than the Hoover Dam's Lake Mead. This great lake, 5 to 10 miles wide and 400 miles long, would hold 110 million acre-feet of water. With such a supply, Egypt could reclaim 2 million acres of desert; be sure of enough water for its present farmlands even in the driest years; protect its populous downstream districts

from floods; and increase its power potential by a million kilowatts.

The site chosen for the High Dam is 5 miles upstream from the present Aswan Dam. In 1902, when the present dam was opened, it ranked as an engineering miracle. Through its sluices can pass the whole silt-rich Nile flood that rushes down from the hills of Ethiopia between June and October. Storage begins only in mid-November, when the water is clear; thus the reservoir is not endangered by silt. This dam represented the first large-scale effort to harness the Nile. But it can control only 60 percent of the 66 million acre-feet of water that the river discharges each year. Through the High Dam, Egypt hopes to make use of the 40 percent that now runs into the Mediterranean during the flood season.

To Egypt, this water means the possibility of easing the squeeze between expanding population and severely limited arable area. Each year for 20 years, as the High Dam fills its reservoir, 100,000 new acres could be brought under cultivation. At present the country has only 6 million arable acres out of a total area of 247 million. Yet it has 22 million people to feed, and a net population growth of 2.5 percent a year. Egypt wants to grow more grain, but is not likely to do so at the expense of its chief export crop—extra-long-staple cotton.

It would take 10 years to complete

the High Dam project—including the dam itself, a power plant, and a 500,000-ton fertilizer plant. Irrigation canals and laterals, with associated facilities, would take another 10 years to complete. The cost of the dam itself is estimated at \$600 million; the cost of the power and fertilizer installations and the irrigation facilities, at \$700 million. Total estimated expenditure would be \$1.3 billion over a 20-year period.

But Egypt feels that the project would speedily pay for itself; the national income from agriculture alone would be increased \$500 million a year. The increased power—700,000 kilowatts from the new dam, 350,000 kilowatts from improved hydraulic conditions affecting the old dam—would be of the first importance for Egypt's industrial development. In addition, however, this energy would operate the fertilizer plant, an enterprise that would pay off in greater yields. It is needed also for lift irrigation—the only way that Nile water can reach the fields when the river is below their level.

Preliminary surveys—including an aerial survey in 1953, financed by American technical assistance—indicate that the High Dam project is technically feasible. To Egypt, it stands almost as a symbol of progress and prosperity. All the countries offering assistance for the project recognize its economic and political significance not only to Egypt but to all the Middle East.

India Needs

Dairy Products

By L. H. BURGWALD
Dairy and Poultry Division, FAS

India is taking steps to raise the output and lower the production costs of its dairy industry. But for some years to come, its milk supply will not be sufficient to meet the country's enormous need. Meanwhile, U.S.-made ghee, together with recombined milk made from U.S. nonfat dry milk solids and anhydrous milk fat, could help to close the gap.

In Western countries the word "dairy" usually calls to mind the picture of a cow. In India the picture is more likely to be that of a water buffalo. India does have milk cows—46 million of them. But its 21 million water buffaloes are more important to its dairying: they drop their calves earlier and oftener and yield far more and richer milk.

Production Problems

In July–September 1955, I visited India on a survey for the International Cooperation Administration. Traveling around the dairy country, I could see that India's dairy industry is severely handicapped by the high cost of production. This can be charged up mostly to an extremely low yield per animal—only about 413 pounds a year for cows and 1,100 pounds for buffaloes. By comparison, yields in Western countries seem fantastically high—over 8,000 pounds in Belgium and the Netherlands, where dairying is of primary importance; over 5,000 pounds in Canada and the United States.

One cause for the low yields of Indian animals is the erratic feed supply. There is plenty of green feed during the monsoon season and for some time after. But while the monsoon is keeping the fields lush, it is preventing the farmer from curing hay. During the three hot dry

months of April, May, and June, when practically no pasture or forage is available, most dairy animals have to get along on rice or wheat straw and a little cottonseed or coconut meal. This means that they produce very little milk during these months.

It seemed to me that one solution for this problem would be the increased use of silage. Many of the government farms use pit silos, and considerable research has been done on types of silage. But the few silos in use on private farms are too small to be of much value. A possible answer is the building of cooperative silos in the various villages throughout the dairy country. These could be filled with grass silage during the monsoon season.

In a dairy animal's lifetime record as a milk producer, the age at which it has its first calf and the interval between its calves are perhaps as significant as its yield. Indian dairy experts feel that nutritional deficiencies play a part in these matters also. On government farms, where feeding is scientifically managed, dairy animals usually drop their first calves earlier than the village animals do, and the interval between calvings is shorter. Similarly, water buffaloes, either in villages or on government farms, calve earlier than cows and at shorter intervals. The figures that follow show these contrasts.

	Approximate age at first calving (Months)	Approximate interval between calvings (Months)
Cows:		
Village.....	60	24
Government farm....	42	15–18
Buffaloes:		
Village.....	42–48	15
Government farm (Aarey Colony, Bombay)	30–32	14–15

For some years, Indian experts

have been carrying on experiments to improve India's dairy cattle. They have tried to combine increased milk yields with the strength and stamina of the local breeds. Today the best Indian cows can compare favorably with our Western ones in yield.

Better breeding of cows—in some cases, cross breeding—is practiced on a number of government farms, and records of both cows and bulls are kept. Most of the work on improved breeding of buffaloes is done at Anand and the Aarey Colony (Bombay), and records are kept at both centers. In the villages, many farmers use artificial insemination, but few keep records on bull performance or try to eliminate unproductive animals. Of course, as India's farm extension program expands, the methods and results of the research already done will influence more and more farmers. But some time must pass before this research can pay dividends in increased milk production and reduced costs.

Distribution Problems

Meanwhile, the Indian consumer is not getting the dairy products he needs for health. Average per capita consumption of milk, including dairy products, is estimated at some 122 pounds a year—about a third of a pound a day. In India's large cities—Calcutta, Bombay, Madras, and New Delhi—consumption of fluid milk is only about 2 ounces a day. Authorities would like to see this raised to 8 ounces. In contrast with these figures, the U.S. consumer gets 350 pounds a year of milk alone, and adds to that in the neighborhood of 9 pounds of butter, 7 of cheese, 17 of condensed and evaporated milk, 18

of ice cream, and 4 of nonfat dry milk solids.

Before India can raise its consumption of dairy products, however, it must solve several related problems. First, of course, is the insufficient supply of milk. But almost as serious is the problem of how to safely store and distribute what milk there is.

Much Indian milk has poor keeping quality. It is especially necessary for such milk to be moved rapidly from farm to city and kept cool both in transit and after arrival. But both rapid transportation and refrigeration facilities are lacking. And although there are pasteurization plants, pasteurization cannot protect the milk against being adulterated or contaminated later, before it reaches the buyer. To guard against these dangers and to help make up for the absence of refrigeration, most purchasers boil the milk before using it, regardless of whether or not it has previously been pasteurized.

Perhaps these distribution difficulties partly account for the fact that of India's total annual milk production—estimated at 42 billion pounds—only over a little more than a third is used as fluid milk. Almost half is used to make a product that needs no refrigeration. That product is ghee—the clear, slightly granular milk fat that results from boiling nearly all the moisture out of butter. Indian consumers know and trust ghee; generations have used it. They are not so familiar with other dairy products. Adequate promotion and education, plus demonstration by such means as school lunch programs, could show them that these other products can be equally healthful and dependable.

Price is another thing that keeps the Indian consumer from buying as much milk as he needs. Indian milk prices, although lower than those in the United States, are high in relation to the wage scale. Naturally, they will go down when the cost of production does. But in the meantime, there are ways to extend and supplement the present supply of milk and thus reduce the price to the consumer.

Brazil and United States Sign 41-Million-Dollar Agricultural Agreement



U. S. Ambassador to Brazil James C. Dunn (left) and Brazilian Minister of Foreign Affairs José Carlos de Macedo Soares (right) sign the Public Law 480 agreement whereby the United States will sell Brazil \$41 million worth of surplus commodities, including wheat (\$31 million), wheat flour, feed grains, lard, and tobacco. The signing ceremony, which

took place at the Foreign Ministry in Rio de Janeiro, is witnessed by Brazilian Minister of Finance Mario Camara (center at table) and four members of the House Committee on Agriculture: W. R. Poage, Tex. (behind Ambassador Dunn); Paul C. Jones, Mo.; Harold O. Lovre, S. Dak.; and Charles B. Hoeven, Iowa (right of picture).

Some Solutions

One of these ways is "toning" the milk, or reducing its fat content by mixing it with either fresh skim milk or reconstituted skim milk. The milk of the average Indian cow tests 4.5 percent fat; that of the buffalo, 7.0 percent fat. But milk of such high fat content is not needed in India—protein is more necessary. Bombay has already adopted toning. There whole milk (7 percent fat) sells for 18.5 cents a quart, and toned milk (3.5 percent fat), for 8 cents a quart.

The year-round supply of milk could be considerably increased by the establishment of recombining plants in the larger cities. Recombined milk could be profitably used, too, for supplementing the scanty fresh supply during the summer shortage. Pasteurization plants could easily add recombining to their op-

erations. For making recombined milk from spray-process nonfat dried milk solids and anhydrous milk fat, the only extra equipment necessary would be a homogenizer. This machine would be useful also for making ice cream, which is rapidly gaining favor in India. At present, most of the ice cream sold there is low-fat—more like our milk sherbets—and the mix is not homogenized.

As the feed supply is increased and improved; as extension teaches modern management practices to more farmers; and as breeding programs and selection of more productive animals improve the dairy stock, India's milk output will increase in volume and decrease in price. But it will be many years before a sufficient natural supply will become available. During these years, imports of ghee and of the ingredients for recombined milk will be the answer to the problem.

The U. S. at Trade Fairs: SECOND, BOGOTA



AT BOGOTÁ, COLOMBIA, TRADE FAIR: A few of the million people who attended wait to view the U. S. exhibit. Daily,

long waiting lines attested to the exhibit's popularity at this important exposition.

Attendance Estimated at One Million People U. S. Exhibit Called a Spectacular Success

COTTON: Daily fashion show featured use of cotton in Colombian textiles and dresses. Here, Colombian model wears dress made of U. S. cotton. Star of the fashion show was U. S. Maid of Cotton, Miss DeLois Foulkner, and cooperating in staging of U. S. exhibit was National Cotton Council.



One of the tried and true ways in which American businessmen promote a product is to give potential customers a chance to "see, taste, smell, and feel it"—in other words, to give out samples. That was exactly what was done at the Bogotá fair, where samples of bread, ice cream, milk, and cake were distributed—all made from U. S. farm products.

As these pictures indicate, the people came by the hundred thousands to get acquainted with U. S. goods. At the conclusion of the show, Colombian businessmen began negotiations to purchase the remaining stocks of dairy and grain products as well as the equipment that had been used, and indicated their continued interest in placing orders for these products from U. S. farms and industry.



GRAIN: Half-pound sample loaves of bread, baked in Bogotá with U. S. flour, and with wrappers bearing a U. S. wheat promotion message, are distributed to Fair visitors. More than 115,000 loaves were distributed.



DAIRY: More than 40,000 cups of recombined milk and 40,000 ice cream cones, made with U. S. dairy products, were distributed at the Fair. Ice cream was made from a specially prepared ice-cream mix.

DISTINGUISHED VISITORS: Enjoying samples of recombined milk are (right) Gen. Gustavo Rojas Pinilla, President of Colombia, and Philip W. Bonsal, U. S. Ambassador to Colombia.



Cover Photograph

U. S. DAIRY PRINCESS, Miss Ruth Peterson of Austin, Minn., and Colombian girls, photographed at the Second International Industries Fair, Bogotá, Colombia.

GRAIN: Port of U. S. exhibit at Bogotá Fair was display of grain products for livestock feeding. Cooperating in this display was Miller's Federation, represented by Pillsbury Mills, Inc.



DAIRY: Recombined milk, containing U. S. nonfat dry milk solids and butter oil, was made in this commercial-size plant. Cooperating was the Dairy Industries Society, International.



FAS Sends Cotton Good Will Ambassadors to Europe

In September FAS sent two USDA cotton experts—T. L. W. Bailey, Jr., cotton technologist, and Dr. Walter M. Scott, textile chemist—on a good will mission abroad, with the ultimate aim of developing and expanding foreign outlets for American cotton. In the following article Mr. Bailey relates his impressions of this trip to 10 European countries.

By T. L. W. BAILEY, JR.

When the Foreign Agricultural Service asked me to undertake a technical liaison mission between U.S. cotton producers and European textile men, it sounded like good customer relations—the sort of thing a smart automobile salesman does when you buy a car. If he wants your good will he calls up to find out how it's running, tells you to bring it in if there are any adjustments you want made. I was going to do the same thing for American cotton. I was going to talk to our European customers—importers, mill owners, fiber technicians—about their problems and ours, and perhaps find out how we here in the States might improve our cotton and thus expand the market for cotton exports.

This sort of thing wasn't new to me. I've been in cotton all my life, and I've talked cotton to everyone from pickers and growers to mill owners and scientists. But on the way across the Atlantic I became apprehensive. In a few days I would be meeting Dr. Walter Scott, our textile scientist, in Amsterdam, and together we would be traveling through Europe consulting with one group after another. True, we were coming at their invitation, for this trip had originated as the result of a previous mission of American mill owners and government scientists. Still, I couldn't help wondering what sort of a reception we would get. Would they think we were

there just to sell them more of our cotton? Would they resent our advice? What about the language problems, the different economies, that gap that we knew existed between research and its practical application?

I needn't have been so concerned. Mr. Read P. Dunn, Director of the Foreign Trade Division of the National Cotton Council, whose headquarters are in Europe, had made all the arrangements for our meetings, and even before we arrived he had had a wonderful response, particularly from countries like Italy and Spain, where the textile industry is not highly developed and where they were eager for our help. Not that the cordiality was confined to these countries. We were warmly welcomed everywhere we went—so much so that in another few months I hope to go back again, and this time to talk to smaller groups in the textile industry.

After I met Dr. Scott in Amsterdam, we started our tour at Delft, where we gave talks before the Netherlands Textile Institute. I spoke first on raw cotton. Using slides, I talked about the virtues of the cotton fiber, what we are doing in the United States to develop a new and improved fiber, and about our progress in improving the ginning and the packaging. I also talked about our efforts to measure the properties of the cotton fiber more

precisely, and how more adequate use can be made of these properties.

Dr. Scott followed up this line of thought—but from the chemist's angle. Cotton, he insisted, though 5,000 years old, is a "new" fiber, a truly miracle product. Today chemists are finding ways of modifying, adapting, and improving the properties of the cotton fiber so that cotton can be used for purposes never dreamed of before. These chemical treatments Dr. Scott discussed in great detail, with slides that were most interesting and helpful, as well as with samples of materials for examination. Summing it up, you might say that our main theme was that research and development, both in the United States and Europe, hold a real promise for improving cotton's position against competing fibers.

The following day we journeyed to Enschede, where we repeated these talks before 100 Dutch textile manufacturers. In like manner, we met with cotton and textile men all over Europe—Belgium, Sweden, Norway, Germany, Switzerland, France, Great Britain, Italy, and Spain. The pattern was never quite the same. In Paris, for instance, we talked mostly to manufacturers. In Holland, Belgium, and Germany, where most of the textile mills have been rebuilt after the war, we found such a high degree of efficiency that we felt we had something to learn. England, on the other hand, presented a paradox. Some of the English mills were up to date, but many of them used antiquated machinery and methods. Yet England has one of the finest textile research institutes in the world.

One of the things I felt most strongly in Europe was this tremendous gap between research and industry. It was almost as if they spoke different languages, research staying in its own ivory tower,

while the manufacturing people struggle along the best they can. I can remember in Milan, one of the women attending the meeting asked me how I made a certain microscopic test. I explained that I couldn't tell her, but that I'd come in the laboratory and show her—whereupon I took off my coat, rolled up my sleeves, and demonstrated how I did it. She was delighted. To have us talk about methods and techniques and then to go through the delicate manipulations with them step by step was far more than they had expected from us.

Of course, we were there to find out how to sell more American cotton, for we have to face the fact that American cotton exports to Western Europe have declined from an average of 3.5 million bales¹ in 1935-39 to 2 million bales in 1954-55. The main answer is price. European mills can buy cotton cheaper from other countries than they can from the United States. But fortunately price is not the only criterion. Many importers and manufacturers said they preferred our cotton, even at a higher price. They know they can rely on the source. They like the uniformity of its properties—staple length and grade. Their machines are adjusted to our cotton, and, moreover, they have built up long years of "know how" with American cotton.

There are things they do not like. Many of the complaints were ones we have heard before—the shoddy packaging, the jute fiber contamination of the bales, which causes ends down and imperfections in the weaving. Then there were complaints about the hole cut in the jute covering for removing samples, leaving the cotton exposed to all kinds of dirt and contamination in transit.

Too much trash in the cotton was another criticism. In some cases there may be more trash with mechanical harvesting than there is with careful hand-picking. But we were able to describe to them the intensive work being done by the cotton industry in the United States

T. L. W. Bailey, Jr., has made a career of cotton. He joined the Department of Agriculture, Division of Cotton Marketing, in

1929 to work on cotton, and in 1941 went to the Southern Regional Research Laboratory in New Orleans to do microscopic studies of fibers, yarns, and fabrics. He left USDA in 1946 to become research microscopist of the Institute of Textile Technology, a privately owned research and graduate school in Charlottesville, Va., later becoming assistant to the technical director. He returned to the Department last summer when FAS was looking for a leading cotton technologist to establish a liaison mission in Europe. Before he returns



Mr. Bailey

to Europe, Mr. Bailey will consult with U.S. growers and exporters.



Dr. Scott

Dr. Walter M. Scott, a noted textile chemist, was loaned to the Foreign Agricultural Service last summer to accompany Mr.

Bailey on this first tour of 10 European cotton-using countries. After 20 years as a chemist in private industry, Dr. Scott joined USDA in 1939 as head of the Cotton Chemical Processing Division at the Southern Regional Research Laboratory. Currently he is Assistant Director of Utilization Research, Agricultural Research Service, USDA. He is also a fellow of the Textile Institute of Great Britain, considered one of the top honors that can be granted a textile scientist.

to solve this problem of cleaning the cotton before ginning, even to the extent of spraying the leaves of the cotton plant so that they fall off before the harvesting of the bolls.

Thus, if I were to summarize what European importers require, I would say that first, they want a clean, well-packaged bale of even quality. Second, they want better ginning, not overdried. Third, they would like us to test for fineness, strength, and trash content. We now ship on the basis of grade and staple, but European textile men consider the other values as essential, too.

On the matter of testing, I found considerable interest in its standardization, so that fiber testing can be done in all countries, on the same type of machines, using the same methods. I also found that European textile men are most anxious to have any material we can supply them on both fiber testing and the new chemical treatments that Dr. Scott discussed.

While it was important to learn firsthand these specific requirements,

nevertheless both Dr. Scott and I felt the mission's greatest accomplishments were more general, more long-range. To me the good will that we created by paying a little attention to our customers was of the utmost significance. For the first time the people who use our cotton were having a little interest shown in them—we were recognizing them as big customers, and they appreciated it.

This mission also stimulated thinking about cotton—how we and our European customers could work jointly and collectively to advance the work in behalf of cotton. As I mentioned earlier, we felt that European research people were not getting their findings across to the manufacturers, nor were the manufacturers asking for this information. Therefore, if our discussions result in better collaboration between these two essential parts of the same industry, we will not only have advanced the cause of cotton but within this overall framework we will have helped American cotton abroad.

¹ 500 lb. gross bales.



Photos from Australian News and Information Bureau

Sheep, traditionally the kingpin of Australia's economy, graze on the rolling hills of New South Wales. Pasture improvement has

trebled wool and meat production in many areas of the country, but inadequate transportation is still a great handicap.

What Australia's Industrial Boom Means to Its Agriculture

By JAMES H. BOULWARE
U.S. Agricultural Attaché, Australia

Australia, long an agricultural land, is today going through an upsurge in industrial activity that is having repercussions in the country's agriculture—repercussions which are of considerable interest to U.S. farm producers and traders. Not only is Australia an important market for some of our own agricultural products—cotton and tobacco, for example—but it is a strong competitor in world markets for wheat and other commodities. Consequently, the United States may be strongly affected by Australia's current need to increase agricultural output for both domestic use and export, and to decrease imports.

WHEN THE EARLY PORTUGUESE and Dutch explorers discovered Australia, they apparently found parts of it so unattractive and unfertile that they left it to the British to settle there and build up an agrarian economy with an important position in world markets. Historically this economy has been based primarily on wool—in fact, local press cartoons frequently show a map of the country superimposed on a sheep, to illustrate the country's dependence on wool.

In these early days wool production admirably suited this new, sparsely settled country. Transport costs were low in comparison to total value. But with the development of internal and ocean transportation other farm products began to be grown and exported in volume. Refrigerated ships made it possible for beef, mutton and lamb, butter, cheese, and eggs to be sold on European markets. Rail transport to ports enabled Australia to become a

highly competitive exporter of wheat. Too, irrigation permitted the production and export of grapes, peaches, apricots, and citrus.

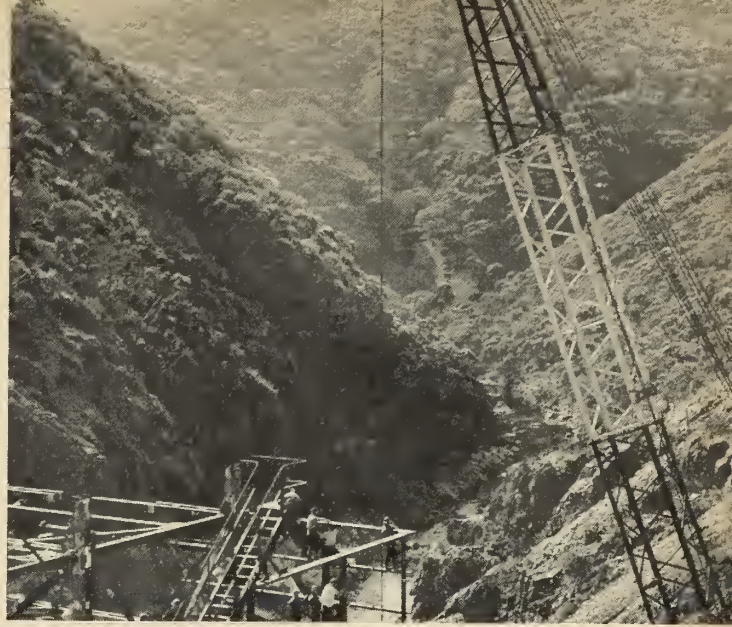
Then came the industrial boom, with the result that Australia can no longer be considered as an entirely agrarian nation. While the sheep is not yet seriously threatened as the kingpin of Australia's economy, industrial progress in recent years is causing repercussions in agriculture.

Effects on Agriculture

What are these repercussions? The principal one is the necessity of increasing agricultural production. As one official expressed it, Australia has no alternative to increased agricultural exports if it is to maintain the standard of living of its people. Australia's population is growing rapidly—and so is its industry. Thus if Australia is to feed its people and at the same time obtain substantial amounts of foreign exchange for the development of its industries it must sustain a high level of agricultural export.



Extensive irrigation makes the Murray River area in Victoria and New South Wales the center of the country's dried fruit industry.



This vast hydropower project in the Snowy Mountains will make available for irrigation 2 million acre-feet of water.

Concurrently Australia is also faced with the need of reducing imports. As the population grew—partly because of the emigrants who came after World War II, making up 60 percent of the population increase in 8 years—and as an expanding industry raised the standard of living, there was a demand not only for more food but for more consumer goods. Consequently 1953–54 were years of heavy imports. Then the prices for agricultural export goods fell, and in the year ending June 30, 1955, Australia's foreign exchange holdings dropped 142 million pounds, or 25 percent.

In October the government moved in an effort to bring Australia's foreign receipts and payments into balance by the end of the 1955–56 fiscal year. More stringent controls were announced, reducing import quotas for all commodities except essential raw materials by 7.5 to 25 percent. Overall imports from the dollar area are to be reduced 7.5 percent, but permits for some items, including cotton and tobacco, are to be issued for import from the best and cheapest source regardless of whether dollars or other foreign currency are involved. While it is too soon to determine the effect of this regulation, it may provide an opportunity for increased exports of

U.S. cotton and tobacco, assuming that prices are competitive.

On the other hand, this financial pinch has caused Australia to move toward self-sufficiency. Currently production is being pushed on certain crops, including cotton and tobacco, which up to now have not been produced economically. Undoubtedly some increase in both cotton and tobacco will be attained, but the general forecast indicates that Australia will do well if the increase in these crops meets the demands of the growing population. Thus it appears that the Australian market for these products is not apt to shrink significantly.

Lastly—though perhaps this lies in the future—there is the possibility that as moves to cut costs in industry are reflected in the prices of producer goods to farmers and as internal transportation is improved and freight charges lowered, Australia may become even more competitive in world agricultural markets.

Australia's Industrial Boom

Australia's industrial growth has been going on since World War I, but the high rate of immigration, shortages following World War II, and the general prosperity resulting from favorable prices for farm exports have caused an upsurge of industrial



Under Colombo Plan, Australia supplies Ceylon with tractors fitted with equipment to help increase rice production.

Assembly line at Dandenong, Victoria, one of the important centers of Australia's fast growing motor industry.



activity. In 1939, 565,000 persons were employed in factories; by 1954 this number was increased to 1,030,000. To some degree this increase in industrial employment represents a rise in certain consumer goods industries, but the bulk has been in heavy and scientific industry.

Any industrial expansion suffers from growing pains, and Australia's has been no exception. Some of the problems are inherent in the newness of the industrial effort. Other problems are more deep seated, and will require time and the concerted efforts of government, capital, and labor to overcome them.

Inadequate internal transportation and distance from foreign markets help keep Australian production costs high. The small Australian market is another; for, even with the high standard of living now prevailing in Australia, 9 million people cannot provide a market for such items as refrigerators, cars, and tractors in sufficient volume to reduce costs to the levels existent in industrial countries. As an example, new car registrations total around 200,000 a year. Then there is the labor problem; in spite of the postwar migration to Australia there are still more jobs than people. And, finally, Australia must find a market for its industrial output. While it is favorably located with respect to Asian markets, these markets are not familiar with Australian products and Australian prices as yet are not competitive.

In solving these problems, Australian industry and agriculture sometimes conflict. As might be expected, high Australian production and transport costs result in demands by manufacturers and labor for tariff protection. This is invariably countered by those interested in low-cost farm machinery and supplies. The situation causes the government to do some fence-straddling, calling on the one hand for reduced agricultural costs and on the other, for protection to essential industries. But despite all these problems and conflicts, there is every reason to believe that the industrial expansion of Australia will continue.

The Outlook for Agriculture

What then are the problems that Australian agriculture must resolve if it is to expand and support the country's industry? The first concerns home consumption. If, as seems probable, the population continues to multiply and the living standards continue to rise, Australian consumption of farm products will also rise—even at a somewhat faster rate than the increase in population. This in turn would tend to cut down the export potential of Australia's surplus wool, meat, wheat, dairy products, sugar, and fruit, and raise the country's import requirements for cotton and tobacco.

It is most unlikely, however, that the Australian Government will permit its farm exports to decline. To do so would be economic suicide, since the necessity of earning and saving maximum amounts of foreign exchange makes mandatory greater agricultural production in spite of marketing difficulties. Certainly production will increase in the more profitable export commodities.

To increase farm production is not as great a hurdle as it might seem. Today the volume of Australian farm output is 22 percent above the 1935-39 level. Farm mechanization, second only to that in North America, has been a major factor in this; in fact, it is interesting to note that during this period of increased production rural labor has declined from 200,000 in 1939 to 164,000 in 1954. On many properties of 3,000 to 5,000 acres, carrying thousands of head of sheep, the family does all the work except shearing.

Irrigation is another factor. Australia's growing fruit industry and a substantial portion of its dairy industry are the result of government attention to irrigation; and now that most of the more easily developed irrigation areas are well established, the country is working toward development of more costly and technically difficult irrigation projects. The most important of these is the Snowy River Project, which will divert water flowing east and south through long mountain tunnels—one

of them 32 miles long—so that nearly 2 million acre-feet of water will be available for irrigating the central valleys.

Australian farmers are only beginning to make use of research findings. Many Australian soils are deficient in phosphate and such minor elements as sulfur, cobalt, and manganese, and yet their use has been limited. Moreover, it has been conclusively demonstrated that pasture improvement in many areas can at least double or treble the production per acre of meat, wool, or dairy products, as up to now only a small portion of Australia's pastures that could be improved have been fertilized, cultivated, and seeded.

Internal transportation is the greatest handicap to farm production. The practice of walking cattle to market, to have them arrive in such poor condition that they are sold as poor beef, is gradually being replaced by rail and truck transport. And even though it will take years to create an adequate network of roads and rail lines in order to reduce the cost of farm production and marketing, a start has been made which in time will result in greater agricultural production.

Therefore, it seems safe to predict that with the availability of more machinery at lower cost, improved transport, better irrigation, and better fertilization, Australian agriculture may be expected to increase production fast enough to supply the fast growing population and at the same time maintain export availabilities at current levels. Of course, a sharp fall or collapse in the price of any of its major exports would be disastrous, and for this reason Australia is most seriously concerned lest world surpluses cause market collapses with calamitous results to Australia's growing economy. But if world prices for farm products are maintained—except for periodic lapses which must be expected in any free economy—Australia will move ahead rapidly in its industrial expansion; and there is no reason to believe that greater agricultural production in Australia will not accompany industrial growth, as it has in the United States.

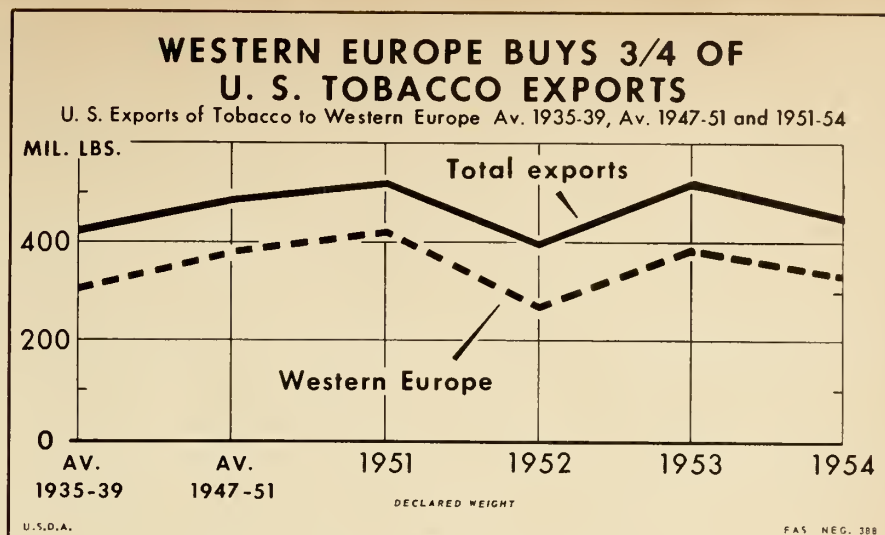
WESTERN EUROPE has been a fine market for U. S. flue-cured tobacco. But we may lose a substantial share of that market unless we grow the kind of flue-cured that Europeans prefer—not the “pale and slick” leaf of the 1955 crop. A recent trip to survey the market for U. S. tobacco in seven European countries has presented convincing evidence of this danger.

My study of the European market covered the United Kingdom, Finland, the West German Republic, Austria, Italy, Spain, and France. Over the years, importers in all these countries have had a strong preference for U. S. flue-cured. They like the flavor and aroma it adds to their blends. In 1954-55 we exported 338 million pounds of tobacco—mostly flue-cured—to Western Europe. Three-fourths of all our exports went there. In 1955-56 we can expect to ship Europe even more tobacco.

But—

much of this increase will be due to sales of leaf grown in 1954 and earlier. Leaf of the 1955 crop is not selling as well in Europe as would normally be expected. A significant amount of the 1955 crop was “pale and slick” leaf: papery in structure, pale in color, and lacking in flavor and aroma. Europeans don’t want this kind of leaf. Some specialists there have said they prefer non-American flue-cured to U. S. “pale and slick.” In some countries, this problem is holding up tobacco sales for local currencies under the Agricultural Trade Development and Assistance Act of 1954 (Public Law 480). Importers are afraid that they may not be able to purchase enough of the qualities they need within their usual price range. Continued production of “pale and slick” leaf would lead to a substantial long-range decline in our tobacco exports to Europe.

Here is a serious problem that needs and is getting U. S. attention. The U. S. Department of Agriculture announced on December 2 that in its price-support program for 1956-crop flue-cured tobacco it plans to dis-



Growing Tobacco for Europe

By HUGH C. KIGER

Tobacco Division, FAS

count any “pale and slick” tobacco that may be offered for loan. With this assurance that our stocks will not be overloaded with inferior leaf we will be able to assure European importers of an adequate supply of the kind of U. S. tobacco they want.

Just as our prospects for flue-cured depend on our ability to offer what Europe wants, so do our prospects for Burley. As Europe increases its use of American-type cigarettes, we may be able to increase our Burley sales too, provided we offer light, mild leaf at a price that is competitive with the prices of light air-cured tobaccos from other sources. Prospects for Maryland tobacco are hopeful too, especially in Austria. There the trade will soon introduce a new cigarette brand made entirely of Maryland leaf.

Tobacco already sold for local currencies under Public Law 480 will account for much of the expected increase in our tobacco shipments to Europe during 1955-56. But there are other encouraging factors. Certain countries need to replenish their tobacco stocks. Some of these countries now have more dollars avail-

able. And Europeans are smoking more cigarettes of American type and modified American types, and more filter cigarettes, for all of which European manufacturers need our tobaccos. Our problem is to make sure that what we have to sell is the kind they want to buy.

Farm Exports Hold Up

(Continued from page 4)

During the next 3 to 5 years, we can expect world production of farm products to increase faster than population and demand. International markets for wheat, cotton, and rice are likely to become more troubled than at present as a result of the widespread emphasis over the world in increasing production without regard to demand. These developments will exert pressure to restrict exports of U.S. farm products.

In Europe, our best customer, governmental programs and policies can be expected to continue high-level production of food grains. It

will be difficult to obtain expansion in cotton markets. There should be some expansion in markets for feed grains, vegetable oils, animal by-products, tobacco, and fruit, but the U.S. share will depend on our trading policies, prices, and merchandising efforts.

In the Middle East, today's existing political ferment focusses public attention on agricultural development. It can be expected that over the next few years, the Middle East will export increased amounts of cotton and very possibly of other products.

India's agriculture continues to improve. Over the next 10 years, there is good reason to expect agricultural production to increase at a rate greater than population growth. Unless general economic development increases consumer purchasing power sufficiently to absorb the additional agricultural production, India is likely to become a competitive exporter of certain agricultural products.

Japan in 1954 was our best customer for farm products, taking a total of \$417 million worth. Because of an imbalance of trade with the dollar area, however, Japan has a clearly stated policy of shifting its imports of farm products to those countries that buy heavily from it. Also, Japan's neighbors have their eyes on the Japanese market. At an elaborate Communist Chinese fair, opened October 18 in Tokyo, the major emphasis was placed on the ability of Manchuria to furnish supplies of high quality soybeans to Japan.

There is a universal desire to upgrade diets—a desire that creates additional demand for U.S. feeds, edible fats and oils, and animal products. If we are to maintain a level of agricultural exports that will effectively utilize our agricultural resources, we will need to export a greater variety of agricultural products.

We must export more specialty products in which we sell not only the product but also our superior technology that goes into it. There is opportunity for selling semi-processed products that the world

needs but is not well acquainted with—new dairy products, new poultry products, new meat products. Products such as these represent new marketing opportunities. With the world's agriculture changing, we need to be alert to develop such opportunities. And we must work together in their development—people from the State colleges, we in the Department of Agriculture, and our friends in industry and trade.

I am firmly convinced that American agriculture has opportunity to retain and strengthen its place in the world market. In so doing, we must look ahead and take advantage of our new opportunities.

Holland's Marketing System

(Continued from page 6)

The mechanics of this policy is based on the minimum price for each commodity, which has been worked out by the Central Bureau and is always below the cost of production. If this were not so the system would not work; producers could grow simply to gain the compensation price. At an auction when the bidding reaches this minimum price the clock is stopped. The produce not sold is either processed or destroyed, and the grower of the unsold produce receives a compensation price, usually about 80 percent of the minimum price, but, in the case of highly speculative produce, sometimes as low as 50 percent. The reasons for this difference between the minimum price and the compensation are partly to build up reserves, partly to gain funds to finance processing methods, and partly because the unsold produce is not generally of as high a quality as the goods sold at or above the minimum price.

The value of the minimum price scheme to Dutch horticulture has been immense, and has enabled the industry to put its own house in order without seeking government help. But it can serve only as a

cushion against sudden temporary gluts or decreasing demand. It cannot control general economic tendencies or counteract fluctuations in international trade.

Besides administering the insurance fund, the Central Bureau serves the members in other ways. In 1947 it established a sales promotion fund which, by a very small levy on turnover, permits the Bureau to publicize Dutch products both in the domestic and export markets. On two occasions this fund made it possible to finance exports to Germany when inability to arrive at suitable financial agreements with the authorities threatened the marketing of the crops.

Finally, no survey of the Dutch auction system should fail to mention the very foundation of its success, namely, the cooperative spirit among the growers and their willingness to accept controls without which the system could not function. Perhaps if Holland had not been so dependent upon its exports the incentive to impose this self-discipline would not have existed. But forced by circumstances to put the marketing of its horticultural produce on a sound basis, the Netherlands has evolved a system which, for Dutch horticulture, seems eminently satisfactory.

Graphic Review of World Agricultural Situation

Foreign Agricultural Service has just published its annual graphic analysis of world agricultural production and trade under the title "Foreign Agricultural Situation—Trading in Competitive Markets." Stressing that today's foreign market is highly competitive, the booklet discusses the export challenge on a regional and commodity basis. It contains 105 charts and maps accompanied by a brief narrative review of each, and 73 reference tables.

The booklet may be purchased for 45 cents from the Superintendent of Documents, U.S. Government Printing Office, Washington 25, D.C.



On a Japanese road, a Mongolian pony with blond bangs delights two young U. S. delegates of the International Farm Youth Exchange (IFYE.) At left is Lois Burt of Easthampton, Mass.; at right, Lane Holdcroft of Sioux City, Iowa. Lane and Lois spent the last 6 months of 1955 in Japan living and working with farm families in several prefectures.

Meanwhile, Lane's Japanese counterpart, Eiichi Kuge, lived with U. S. families in the States of Washington

and Michigan. Lois' counterpart, Motoko Sato, went first to Utah and then to Massachusetts, where she lived with Lois' own family. To make the exchange complete, Lane visited the Kuge home in Japan, and Lois the Sato home.

The idea of farm youth exchange, born during World War II, grew out of some young rural Americans' desire to promote understanding among rural people of the world on a family basis. IFYE itself has been operating since 1948. In the United States, it is sponsored by the National 4-H Club Foundation and the Cooperative Extension Service of the U. S. Department of Agriculture, and financed by contributions raised from interested persons and groups. In the cooperating countries—which now number 40—it is sponsored and financed in a variety of ways. 1955 saw 119 U. S. delegates visiting in host countries, and 159 foreign delegates visiting here.

Production Records Set

(Continued from page 8)

World trade in food products is likely to continue at a high level during the coming year. True, some important deficit areas such as Japan and Yugoslavia are harvesting considerably larger crops than they did a year ago and will need less food imports; Turkey, a wheat importer last year, will have an exportable surplus this year, and Europe's somewhat-better-quality wheat supply may reduce its wheat import requirements. But industrial activity is high in all parts of the world, resulting in a continued active demand for food products, particularly such non-staples as meat, dairy products, and fruits. And several surplus-producing areas are putting on an active drive to dispose of their exportable supplies through special trade agreements, price concessions, and other inducements. All this promises severe competition for existing markets and brisk world trade in food products.

Rice Committee Urges More World Study

Research on the world rice situation—on preferences of foreign consumers, methods for bulk shipments from the United States, and quality and standards of domestic rice compared to competing varieties from other exporting countries—is needed to help growers and processors maintain and expand the volume of U. S. rice exports, says the U. S. Department of Agriculture's Rice Research and Marketing Advisory Committee.

Meeting in Washington recently, the Committee urged that world rice information be compiled, analyzed, and published promptly. Its members also indicated a high-priority need for expanded research on rice production, milling, processing, storage, and utilization.

This committee, established under the Research and Marketing Act of 1946, meets annually. New chairman elected this year was Harry Chalkley, Jr., of Louisiana.

Dutch Devises New Milk-Fruit Beverage

By **TERRENCE W. McCABE**
Dairy and Poultry Division, FAS

Dutch scientists have evolved a successful method of mixing acid fruit juices with milk to make a colorful, appealing pasteurized drink that will keep for several days, or, if sterilized, for several months. The method appears to open new opportunities in promoting greater use of milk and fruit.

Peculiarly enough the secret in preparing the milk-fruit drink lies in a substance that by itself can curdle milk; the substance is pectin, familiar to any housewife who has ever put up jelly or jam. The Dutch have found that by using a very high grade of pectin, mixing it with milk and sugar, and letting it stand just long enough for the pectin to throw a protective coat over the homogenized milk molecules, acid fruit juice can be added without coagulation. The beverage can be pasteurized and will keep without spoiling as long as ordinary milk. When sterilized and bottled, it will last several months.

One of the mixtures that the Dutch scientists successfully prepared in their experimental work was the following:

Twenty pounds of sugar was dissolved in 46½ quarts of fresh milk. After this, 23 quarts of a solution containing 2½ percent pectin preparation was added and mixed. After the mixture stood for a few minutes, 19 quarts of black currant juice was added. This milk mixture was left for 10 minutes and then was pasteurized.

Other fruit juices, including fresh orange and lemon, can be used. The drink has been favorably received in Holland, where additional experimental work is being carried on at the Institute of Research on Storage and Processing of Horticultural Produce at Wageningen University, the institution applying for the patent on this process.

The GATT Session And U.S. Trade

Countries suffering from dollar shortages are showing an encouraging tendency to use fiscal and economic methods rather than import restrictions in solving their balance-of-payments problems. This development, one of great interest to U. S. agriculture and trade, was among those reported by the U. S. delegation to the Tenth Session of the Contracting Parties to the General Agreement on Tariffs and Trade. The session was held at Geneva, Switzerland, from October 27 through December 3.

U. S. Section 22 Waiver

The U. S. delegation reported on import restrictions under Section 22 of the Agricultural Adjustment Act (as amended). At the previous session (October 1954–March 1955), the United States had requested and received a waiver of some of its obligations under the General Agreement. The reason for the request was that under Section 22 the President may sometimes be required to impose import restrictions not consistent with those obligations.

The U. S. delegation was able to report to the Tenth Session that since the waiver was granted no new or intensified restrictions had been applied, and that those on oats and barley and certain edible tree nuts had been dropped. The removal of restrictions on these items reduced by about two-thirds the dollar value of trade covered by Section 22 controls. Today only about 1.5 percent of total U. S. trade in agricultural products is subject to restrictions under Section 22.

Since the U. S. quota on dairy products remained unchanged from last year, the Netherlands was again granted the authority to limit imports of U. S. wheat flour to 60,000 metric tons during the calendar year 1956, if it so desired. During 1955, however, it had not exercised this authority.

Surplus Disposal

Surplus agricultural products were the subject of earnest consideration at the Tenth Session. The previous session had adopted a resolution recommending that, in disposing of agricultural surpluses, contracting parties should consult with principal suppliers and other interested contracting parties. Such consultations, it was felt, would contribute to orderly liquidation and help protect the interests of these other countries. Discussion of experience since the adoption of the resolution showed that surplus disposal and the consultation procedures recommended in connection with it were of serious and continuing importance to all the countries concerned.

Belgian "Hard Core" Waiver

At the Tenth Session, Belgium received permission to continue for 5 years certain import restrictions on agricultural products. Among the products affected that are of interest to the United States are apples, pears, lard, and horsemeat. The permission was granted under a decision adopted at the Ninth Session to cover the problems that some contracting parties face in eliminating import restrictions imposed for balance-of-payments reasons.

This decision provided a means for the temporary continuation of such restrictions after the balance-of-payments difficulties end. To obtain the Contracting Parties' approval, the applicant country must show that sudden removal of the restrictions would seriously injure its domestic industry; that no other provision of the General Agreement would meet the need; and that there is a reasonable prospect of removing the restrictions fairly soon. The country requesting the waiver must undertake to develop and apply appropriate measures for eliminating the restrictions; to provide a fair and

reasonable share of the market to other contracting parties meanwhile; and to relax the restrictions progressively within a comparatively short period. Belgium met the conditions and gave the three undertakings required.

The waiver further authorized Belgium to keep for 2 more years any restrictions that it could not previously eliminate because of difficulties involved in harmonizing Belgian and Dutch agricultural policies. This policy harmonization—already under way—is considered indispensable for the customs union being formed by the Netherlands, Belgium, and Luxembourg.

French Import Tax

Complaints of special concern to U. S. agriculture and trade included those brought against France because of its stamp tax on imports—recently increased—and its special "Temporary Compensation Tax" on imports. The Contracting Parties urged the removal of the stamp tax increase. The special compensatory tax was first dealt with at the Ninth Session. That session found it inconsistent with the Agreement; noted the French undertaking to remove it as soon as possible; and recommended that meanwhile its discriminatory effects be reduced. Since then, the tax has been reduced and eliminated on a number of items; but on many others it still remains. The Tenth Session therefore reaffirmed the previous decision and asked France to hasten the process of removing the tax.

Tariff Negotiations

Of considerable interest also to U. S. agriculture and trade was the announcement of a "fourth round" of tariff negotiations, to begin in Geneva in January 1956. In its 8 years of life, GATT has held such

(Continued on next page)

TRADING POST



Half of U. S. Wheat and Cotton Exports Go Under Government Programs

Half the U. S. wheat exports and nearly half the U. S. cotton exports currently are moving under special government export programs. These programs include sales for foreign currencies, barter, purchases for foreign aid, and donations.

In 1954-55 they assisted the export movement of a billion dollars worth of U. S. farm products. So reported Gwynn Garnett, FAS Administrator, to the American Farm Bureau Federation's Joint Commodity Conference, in Chicago, on December 12.

Keen Competition for Europe's Citrus Market

The U. S. citrus industry will meet increasing competition in European markets during the 1956 season. The Mediterranean area is expected to market the largest orange and tangerine crop in the postwar period. It is also expected that a million more boxes of lemons will be produced than in the previous season. Prices of oranges will continue to be low and there will be little opportunity for the import of American winter oranges.

The long-range outlook presents a similar picture. The acreage of oranges and lemons is expanding rapidly in Italy and Spain, and new plantings of oranges are continuing in North Africa and Israel. Barring climatic and other hazards the potential orange crop for 1960-61 is forecast at 140 million boxes as against an estimated 102 million boxes in 1955-56. In this same period it is expected that the lemon crop will increase from 10.3 million boxes to 17.5 million.

OEEC Says U. S. Can Ease Trade Curbs

The U. S. economy is in good shape, says the Organization for European Economic Cooperation in its 1955: *Economic Conditions in Canada and the United States*, issued in Paris on December 13 as part of its current annual review.

The OEEC feels that this situation should permit the United States to make further major advances toward offering wider and continuing opportunities to foreign exporters in the U. S. market. The organization recognizes, however, that the U. S. Government has pursued its efforts to secure a more liberal trade policy in 1955.

This 17-nation European group keeps a close watch on what is happening in international trade. Each year it surveys the economies of its members and two associate members, the United States and Canada.

Israel Gets Into Cotton Business

Can Israel get away from importing cotton? It hopes to become self-sufficient in fibers by 1960. And in line with this hope, it has harvested its first commercial cotton crop, consisting of 3,500 five-hundred-pound bales.

Cotton consumption in Israel went up by about the amount of this first real cotton crop—from 25,000 bales in 1953-54 to 28,000 in 1954-55. Spinning capacity in the country's 7 mills remained about the same as it was, but most of the mills are planning to increase capacity.

Israel imports most of its cotton from the United States; in 1954, for instance, two-thirds of the 22,000 bales it bought came from here. Turkey is the other major source.

Canadian Agricultural Trade in 1956

Total Canadian agricultural exports are expected to be about the same for marketing year 1955-56, as for last year.

Aggressive sales plans are being pursued in Canada to dispose of feed grain, millable wheat, and butter surpluses. Flue-cured tobacco exports, because of a short crop, may be lower; but such typical Canadian exports as bacon and hams, dairy products, flaxseed, and apples are in more plentiful supply than last year. Export sales of these items, it may be expected, will therefore be pushed with customary Canadian vigor.

Canadian agricultural imports for the current marketing year are also expected to be fairly large. The United States should continue to find a good outlet in Canada for its citrus fruits, winter vegetables, and rice. U. S. marketings of soybeans there should also continue to be substantial, despite Canadian emphasis upon production of soybeans and other oilseeds. Canada has been importing more raw cotton this year than last, but U. S. cotton is losing out badly to the cheaper Mexican and Central American staple.

The GATT Session

(Continued from page 22)

sets of negotiations three times before: at Geneva in 1947; at Annecy, France, in 1949; and at Torquay, England, in 1950-51. In these rounds, a country negotiates with other countries on items important to its import and export trade. Any tariff concession it may make to one party will apply equally to all the others. In its turn, it receives the benefit of all the concessions exchanged between other parties in their negotiations.

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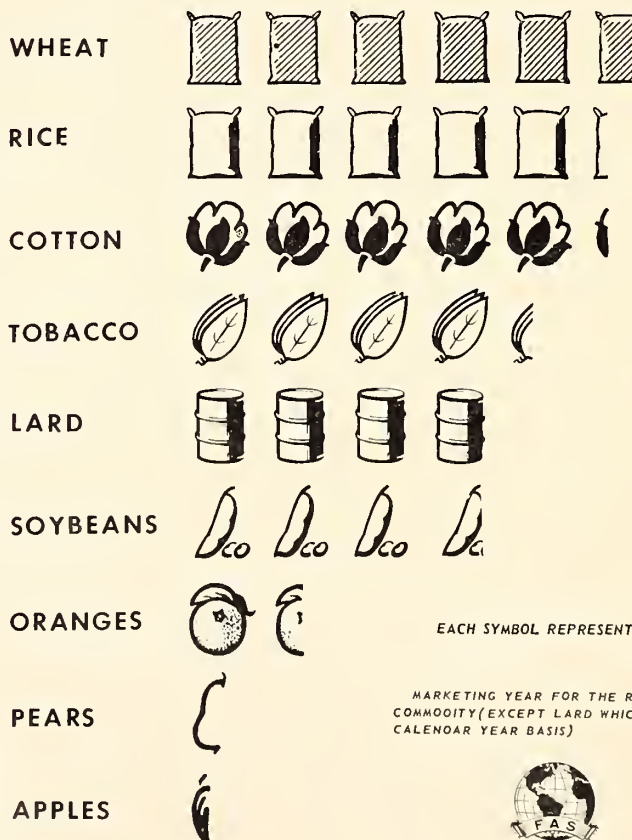
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MANY U. S. FARMERS HAVE A STAKE IN EXPORT MARKET

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